the Freeman

Ideas on Liberty

SEPTEMBER 1975

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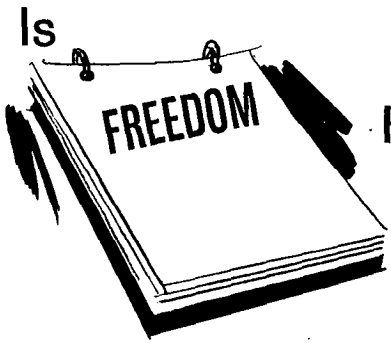

High on Today's Agenda?

ALLAN C. BROWNFELD

IT IS SAD, but may be true, that many, perhaps most, Americans really do not care very much about being free.

Two candidates for public office recently told this writer that when they advocated a policy of the least coercive kind of government, they were rebuffed by the voters.

One of these men was John Hospers, the Libertarian Party candidate for President in 1972. When voters asked, "If you are elected, what will you do for me?" he responded: "I'll leave you alone." The other man, Michael Feld, a Republican, was running for Congress in Iowa. When he was asked the same question in Dubuque, he responded that, "I'll do my best to see to it that the people in this city run their own affairs, and are not told what to do by bureaucrats in Washington." Neither Mr. Hospers' audience nor that of Mr. Feld were interested in being left alone. What they wanted was, unfortunately for freedom, far different.

Much the same happened when this writer addressed a group of high school students visiting Washington, D. C. from Rhode Island. When they were told that the Founding Fathers were suspicious of government, and fearful of the centralization of power, the

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young people were mystified. "Do you mean to say," one asked, "that we should not have faith in our politicians and should not look to government for the answer to our problems?" Such an idea – the traditional American idea of freedom and carefully limited governmental power – had never really occurred to these students. One wonders what is being taught in the schools of Rhode Island. Unfortunately, it is the same philosophy of dependence upon the state which seems to be the common program of much of our public education. And why, after all, shouldn't state-supported schools seek to foster dependence upon the state? It seems to be in the nature of things.

The fact is that more aspects of our lives than ever before are subject to the intervention of men in Washington, some elected, some appointed. We are told by them to buckle our automobile seat belts, to hire given percentages of women and selected minority groups, to answer intimate questions on census forms and to turn over ever larger portions of our incomes in the form of taxes and social security levies. The government keeps files upon us, sometimes spies upon us, and is always ready to tell us what to do – always, of course, "for our own good."

A generation ago the great economist Joseph Schumpeter described the performance of intellectuals, politicians and others who sought to expand government power at the expense of individual freedom and of traditional rights to private property this way: "Capitalism stands its trial before judges who have the sentence of death in their pockets. They are going to pass it, whatever the defense they may hear; the only success victorious defense can possibly produce is a change in the indictment."

Thus, while the issues may change, the answer is always the same: an increase in the power of the state and a diminution in the rights of individual men and women.

For the Good of Society

Today those who seek to expand state power say that they are doing this in the name of ecology, of the environment, of zero population growth, and a host of similar euphemisms for a planned and controlled society. They propose legislation which will tell individuals what they may do on and with their own property. They propose tax legislation which would include penalties upon those having more than the legally mandated number of children. They propose environmental standards which would limit growth and, as a result, re-

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duce the expansion of business, industry, and jobs.

Long ago, Justice Louis Brandeis declared that a nation's freedom was never taken from it "except for a good reason." Those who wish to limit freedom at the present time have many "good reasons" for their actions. The average citizen, unfortunately, is not aware of the consequences of these proposals and, as a result, becomes their naive supporter and defender.

More and more, Americans are becoming subjects rather than citizens. Many don't realize it. Many who do, don't mind it.

After all, Capitol Hill is filled each day with men and women with their hands out for what they like to think is "federal money." They are farmers, veterans, teachers, businessmen, welfare recipients – each one wants a government subsidy for his own particular group. In return for such government subsidization, they are quite willing to submit to government rules and regulations. For them, freedom is simply the asking price for a form of guaranteed security. Many are eager to pay it.

The illusion which those who care about freedom have operated under from the beginning was that such freedom would be taken from them either by demagogues at home or tyrants abroad. It is, of course, necessary to guard against both of these very real phenomena. This, however, remains a somewhat mythical construction, for the real world does not work quite that way. Freedom is rarely taken from men and women who are jealous of it. Quite to the contrary – they give it away eagerly for something they want more.

Catering to Weakness

Totalitarians of all sorts – whether Nazis or Fascists or Communists – understand this flaw in human nature very well, and they play upon it very effectively. The Nazi spokesman Goebbels declared that, "To be a socialist is to submit the I to the thou; socialism is a sacrificing of the individual to the whole." Sacrificing the individual and reducing him to a bit of dust, to an atom, implies, according to Hitler, the renunciation of the right to assert one's individual opinion, interests and happiness. The individual, under such a system, ceases to be important. Hitler declared that, "The individual renounces his personal opinion and his interests." Hitler praises "unselfishness" and teaches that "in the hunt for their own happiness, people fell all the more out of heaven into hell." It was the aim of education in Nazi Germany to teach the individual not to as-

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sert himself. Precisely the same is true of education in the Soviet Union and in Communist China.

Freedom begins to be lost the moment the "public interest" replaces what an individual believes to be the truth and the wishes of the group assume an authority which cannot be rebuked. In his important book, *Escape From Freedom,* Erich Fromm notes that in the course of modern history the authority of the Church has been replaced by that of the State and today is being replaced as well "by the anonymous authority of . . . public opinion. Because we have freed ourselves of the older, overt forms of authority, we do not see that we become the prey of a new kind of authority. We have become automatons who live under the illusion of being self-willing individuals . . . The loss of the self has increased the necessity to conform, for it results in a profound doubt of one's identity . . . if we do not see the unconscious suffering of the average, automatized person, then we fail to see the danger that threatens our culture: the readiness to accept any ideology and any leader, if only he promises excitement . . . and offers meaning and order to an individual's life."

While we often declare that individual freedom is of the highest priority, and wonder why state power continues to grow at its expense, and why so few are concerned – this very anguish we feel may indicate that we do not possess a proper understanding of what is happening. It is not politics, or economics, or history which may really be at work, but human nature itself.

Precious to Whom?

The French philosopher Bertrand De Jouvenel, in his classic work *On Power,* points out that we frequently say that "Liberty is the most precious of all goods" without noticing what this formulation implies in the way of social assumptions.

He writes that, "A good thing which is of great price is not one of the primary necessities. Water costs nothing at all, and bread very little. What costs much is something like a Rembrandt, which though its price is above rubies, is wanted by very few people, and by none who have not, as it happens, a sufficiency of bread and water. Precious things, therefore, are really desired by but few human beings and not even by them until their primary needs have been amply provided. It is from this point of view that liberty needs to be looked at . . . the will to be free is in time of danger extinguished and revives again when once the need of security has received satisfaction. Liberty is in fact only a

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secondary need; the primary need is security."

Yet, Americans live in the most prosperous and secure society in the history of the world – but are sacrificing freedom for what they perceive as "security" at an ever-increasing rate. Unfortunately, many predicted that democracy would produce this result.

Macaulay to Randall

Thomas Babington Macaulay, writing to Henry Randall in 1857, lamented, "I have long been convinced that institutions purely democratic must, sooner or later, destroy liberty or civilization or both. In Europe, where the population is dense, the effect of such institutions would be almost instantaneous . . . Either the poor would plunder the rich, and civilization would perish; or order and prosperity would be saved by a strong military government, and liberty would perish."

Macaulay, looking to America, declared that, "Either some Caesar or Napoleon will seize the reins of government with a strong hand; or your republic will be as fearfully plundered and laid waste by barbarians in the 20th century as the Roman Empire was in the Fifth – with this difference – that your Huns and Vandals will have been engendered within your own country by your own institutions."

There is much discussion today about "equality" by men and women who do not understand that liberty and equality are, in fact, two distinct and diametrically opposed concepts. They would do well to consider the analysis of Alexis de Tocqueville in *Democracy in America*:

"I think that democratic communities have a natural taste for freedom; left to themselves they will seek it, cherish it, and view any privation of it with regret. But for equality, their passion is ardent, insatiable, incessant, invincible; they call for equality in freedom; and if they cannot obtain that, they still call for equality in slavery. They will endure poverty, servitude, barbarism – but they will not endure aristocracy."

As if shattering the dream of the Founding Fathers, Tocqueville declared that, "Democratic nations often hate those in whose hands the central power is vested; but they always love that power itself. I am of the opinion, in the democratic ages which are opening upon us, individual independence and local liberties will ever be the produce of artificial contrivance; that centralization will be the natural form of government . . . Americans are so enamored of equality that they would rather be equal in slavery than unequal in freedom."

Discussing the growth of cen-

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tralized power in the United States, a country created by men who feared such centralization and attempted to write a Constitution which would prevent it, De Jouvenel declares that, "America was a country which was a stranger to compulsory military service, in which the tradition was to elect officials to office, and in which Power was subject to judicial control. Is it not astounding that Power was able in a few years to reduce this control nearly to the vanishing point, to build up a vast bureaucracy, and to invest this bureaucracy with such wide powers that a number of federal agencies have been established simultaneously to formulate rules, to apply them, and to punish breaches of them — to act, in other words, as legislator, executive and judge?"

De Jouvenel concludes that, "The state, when once it is made the giver of protection and security, has but to urge the necessities of its protectorate and overlordship to justify its encroachments. Bismark realized long ago that this was the road which led to enlarged authority."

Whether governments are elected by a majority of citizens, or are elected by no one, tells us simply how they are constituted, not how power is exercised or whether or not freedom of the individual is protected. The fact that Americans, once in four years, elect a President, or once in two years choose a member of the House of Representatives, should not confuse the fact that government power is, nevertheless, arbitrarily imposed. After the depradation of the French Revolution, Clemenceau said that "Had we expected that these majorities of a day would exercise the same authority as that possessed by our ancient kings, we should but have effected an exchange of tyrants." Clemenceau's words seem to echo those spoken by William Pitt, Earl of Chatham on January 9, 1770: "Are all the generous efforts of our ancestors . . . reduced to this conclusion, that instead of the arbitrary power of a king we must submit to the arbitrary power of a House of Commons? If this be true, what benefits do we derive from the exchange? Tyranny is detestable in every shape; but in none as formidable as when it is assumed and exercised by a number of tyrants."

Freedom and individualism seem not to be natural to man, but must be carefully cultivated and taught. The American society is failing in this task — and the future of American liberty hangs in the balance.

Total power over the lives of individuals is worst when that total power is exercised in the name of the majority of citizens organized into a powerful state. Lord Acton

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declared that, "It is bad to be oppressed by a minority, but it is worse to be oppressed by a majority. For there is a reserve of latent power in the masses which, if it is called into play, the minority can seldom resist. But from the absolute will of an entire people, there is no appeal, no redemption, no refuge but treason."

Freedom, unfortunately, does not seem to be high on the American agenda at the present time. Unless that agenda changes, the future for freedom is bleak. It will not, it seems, be taken from us by either force or subterfuge. If we lose it, it will be because we have given it away. The fault will be entirely our own.

IDEAS ON LIBERTY

I'll Respect Your Life

AMONG PEACEFUL PERSONS who have individually recognized the morality and wisdom of volunteering unilaterally not to kill, not to steal, not to injure another deliberately, there would be no need for government if everyone were capable of living according to his good intentions. Yet, within a society primarily comprised of property-respecting, peaceful persons, individuals make mistakes; and there is a place for an organized agency of force with sufficient power to suppress or discourage any errant threat to life or property. One may solemnly pledge not to break the peace himself and yet consistently advocate a government police force strong enough to overcome and subdue him if in a moment of rashness he should forget or violate his pledge. Self-control is a most difficult thing; a properly limited government is a form of organized self-control and may be helpful in that limited role. But when government exceeds that very limited purpose and begins placing barriers between willing buyers and sellers, it then becomes the positive evil we know as socialism and all of its variations. When anyone tries to make a deal to respect your life if you'll respect his, tell him to forget it – but respect his life anyway, because it is the right thing to do.

PAUL L. POIROT

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DICK BEELER

On Feeding the World

The topic of the day is world starvation.

Convention speakers, theologians, concerned citizens, newspaper columnists, TV moralists, classroom lecturers, civic leaders, controlled parents, social engineers, symposium panelists, and long range planners are all up to their ears in it.

The representatives of 140 nations, at the 1974 World Food Conference in Rome, concluded that somewhere between 400 and 800 million members of the human family are starving.

They say 71 percent of world population is too poor to buy its minimum food requirements.

While there is indeed a shortage of food, there is no shortage of ideas on what should be done about it. Most of them involve government restrictions and regulation, and none is going to solve the problem. They've all been tried.

Perhaps that is the most horrifying thought of all. We seem to be tooling up for a flock of projects that will bleed America white, and in the long run just make the things worse.

Governments do not produce food. Neither do religions or humanitarian organizations.

Only farmers produce food. And American farmers are far better at it than any other farmer anywhere.

One does not make good farmers simply by sending out a supply of implements and seeds, or huge quantities of fertilizer.

Good farmers cannot even be created by massive education effort, development of new crop varieties, or running young people through the jungles and deserts with the latest agronomic gospel and birth control gadgets.

It cannot be done by providing stop-gap food supplies until they

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"get on their feet." In the past 20 years, the rich United States has proven that by giving more than $25 billion in food to poor nations, but today world starvation is worse than ever.

Any of those suggestions may help, but none will really work. Even if we put them all together they will fail. Something is still missing. That something is the priceless ingredient it takes to make a good farmer.

A good farmer is an individual human being. He responds to standard human incentives and he produces well only when he has something to gain personally from it.

The American farmer is a great producer because he has the assurance that what he earns will be his, and that at least for the most part it cannot be taken from him.

Without such assurance he would not be a great producer – no matter how much technology, machinery, fine soil, climate, fertilizer or other requisites were put at his disposal.

Moreover, the American farmer works within an economic system which consists of other individuals with similar incentives and assurances. He is closely dependent upon many fellow Americans who respond in the same way he does. They produce not only the supplies, equipment and services he needs to farm, but also much of his personal incentive. That incentive is in the form of a marvelous array of products he can acquire for his own enjoyment if the fruits of his labor are sufficient to trade for them.

In a word, he is a great farmer because he is part of a great system of free individuals.

Farmers in other parts of the world are no less individual humans than they are in America. Put them in the same system and they will produce the same way. The fact that many great American farmers came from backward countries proves the point.

Conversely, if we were to isolate a highly productive American farmer in one of the underdeveloped countries, away from this marvelous system and incentive, he too would fail.

And, incidentally, it would not be necessary to deport the American farmer to a foreign land to deprive him of the system and the incentive he requires.

That can be done here.

Mr. Beeler is Executive Editor of *California Farmer*. This article is reprinted by permission from his editorial in the December 1974 issue of *Agrichemical Age*.

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Shop Talk

Text Of A Talk To The Employees Of The Ingersoll Milling Machine Company, Rockford, Illinois

By Edson I. Gaylord, Chairman & President
June 10, 1975

WHEN I TALKED with you last October 24, I told you that 1974 at Ingersoll was a good year; that we had made all the shipments we had promised customers; the quality of our work was good and the company was making profits – and using those profits to get in the best shape possible for the future. At that time, the results for the year were not final and I promised to report to you again when they were.

On the 28th of April, I reported the results of 1974 "officially" to both the Directors and the Stockholders of the company. I want to take this opportunity to tell you what those official results were and also to give you as much information as I can about 1975 and 1976.

I will talk only about the results of Ingersoll's Rockford operations; not those of our overseas companies. It is enough to tell you that our overseas companies are all operating profitably, that they too made their shipments on time in 1974. Our three companies located in Germany and our European consulting group now represent about 40% of the total company, and are of great help to Ingersoll as we grow and meet new customers and new competition around the world.

In our Rockford operations in

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1974, our shipments were $52,300,000. That is a record for the company in any year. This $52 million is the only income that Ingersoll received during 1974.

Of that amount, we paid $23,410,000 for materials (such as steel plate, and tools) and services (such as electricity and telephone). And we paid $23,298,000 for the total payroll.

I know it is hard to keep those figures in your head – let me simplify. We received $52 million. This is *all* the money we took in. We paid out $23½ million to outside firms and just a little less than that to the men and women who work here. These two items total about $47 million. The difference between this $47 million and the $52 million we received from customers is our profit. Actually, it was $4.9 million. We normally pay 50% of this to the government as "corporation tax." Last year it was less because of losses in previous years.

All of the profit was reinvested in the business – almost $3 million in new machines alone. In the same way, all the profits from our European companies were reinvested in those plants.

To repeat, the total company payroll for all the men and women who work here was $23,298,000. We paid this amount, but you did not receive it; because we are required to withhold income and social security taxes before you get your pay check. Of the $23,298,000 that you earned, $5,933,000 was withheld and your checks totaled $17,365,000.

I report this way because I want to talk for a minute about taxes. It seems to me, as I talk with you individually from time to time, that we tend to forget how much of our pay is withheld for taxes. All of us together earned over $23 million in 1974, but we only saw $17 million of it. The rest of it went to the government.

In addition, the company pays corporation taxes, and other taxes, which we must take from the selling price of our machines. We pass taxes on to our customers in the selling price just as they do to their customers. Ford and General Motors, for example, pass their "corporate" taxes on to their customers, and so, you can see, that we, as car buyers, pay these taxes too.

Politicians would like to have us forget that the vast majority of all the money taken in by our government comes from people like all of us gathered here, who work for a living. They would like us to forget that we've paid so much in taxes, so they arrange to deduct it from our checks every two weeks and hope we will get used to the

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idea of getting paychecks anywhere from two-thirds to three-quarters of what we have actually earned and what the company paid us.

They would also like to have us believe that corporation taxes are paid by corporations. Corporations don't pay taxes, only people pay taxes. Taxes are passed along in the price of goods until they come to rest when people buy things. But it sometimes is easier for a politician to recommend a bigger bite on the "big corporation" than to raise our individual taxes. So he raises taxes on the oil companies, for example – "surely, they can afford it!" The truth is; we pay that tax, too – when we buy gas.

At times, they would like us to believe that wealthy people pay most of the taxes. Politicians continually refer to the "loopholes" in the tax structure and indicate that all we have to do is find a way to take more money from the rich and everything will balance out. They're putting us on! The money collected from all the wealthy people in this country is not enough to run the government for a week, at the present rate of spending.

There is still another funny idea around. It has names like "Federal Funds," "Revenue Sharing," and "Matching Funds." The idea seems to be that we can have goods and services here in Rockford and have somebody else pay for them. If we want a civic center, for example, but cannot raise local taxes to cover the cost, we will get these funds from "the government." Since the government produces nothing, and has nothing except what it takes from the people, this idea can only mean that some communities have a surplus which they will share with us here in Rockford. Nonsense! The government takes a quarter to a third of what we produce and redistributes it – and you can be sure some of it sticks in Washington.

The truth is that men and women like those gathered here pay *all the bills*. $6 million was taken in taxes from us in 1974 alone – directly from our pay checks – and this does not count corporation taxes, excise taxes and property taxes which we pay in a more indirect way.

And this takes us back to inflation, which I talked about last time. It is bad enough to have taxes so high, but it is even worse to have politicians spend more than they collect. This year they are "going in the red" more than ever before in the history of our country, and much of this money will be wasted on projects we could better handle ourselves.

And how are they going to pay for this overrun? They will bor-

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row as much as they can, and when this doesn't make it, they will "print" money and we will pay for it in higher prices down the road.

Let me get back to our affairs at Ingersoll – our business continues to do well. This year we will produce more than last year in every department and we will make more money. We continue to make our deliveries; the products we have continue to gain acceptance around the world. We have $60 million in the backlog, which, the way we are running now, is a good full year's work; and we have good prospects beyond that.

There is talk all around us of other businesses not doing so well. That usually means our work will slow down as well – later on. Whether it will happen this time or not, I do not know. All I know is we are doing all we can to take advantage of every opportunity to sell our machines and so far we've been successful.

I'm sure you will agree that it would be foolish if we didn't expect business to slow down based on what is happening all around us. The only thing we can do about it is to perform to the best of our ability in all departments.

We recently received a $10 million order from Caterpillar for machines for a V-8 diesel engine. This order, in physical units, is nearly as big as the Russian project [machine tools to build diesel engines for trucks]. The last machines will be shipped near the end of 1976. Since the next ten years will see a big expansion of diesel engine production around the world, how we do this job will be watched by all those in the diesel business.

Incidentally, the Kama River machines for diesel engines are being set up in Russia at a very rapid pace – after a slow start. So far our workmanship (even including the job of boxing for shipment by sea) has been given high praise.

Our order book is not full to the end of 1976 but we have machines scattered through the schedule out that far. We have $29 million of special machines already firmly booked for 1976 delivery and this means we have a good chance of having a good 1976.

What happens in 1977 is anybody's guess. There is only one thing we can do to bring in new work and that is to improve our quality and our efficiency in every way possible. If we take cost out of everything we do and if we can steadily improve on what we send to our customers, we stand the best chance of getting whatever business is available.

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I hope you will pay attention to the new look on the bulletin boards.

For some time now – we have been reporting major new orders and I have been told by many people that this is a good thing to do.

Just recently we started using the bulletin boards to tell you about job opportunities as they arise in the company. If at all possible, we want to fill new jobs at Ingersoll with people who already work here. We used to handle this by word of mouth, but this is no longer sufficient, so we are trying to write up the opportunities as they arise. Keep informed and if you are interested, talk to your boss or go directly to the personnel department. Don't be shy. If the job description looks tough, but you are interested, talk to somebody about it.

Since we started this practice 90 days ago, twelve Ingersoll people have taken new jobs as a result of it. There is opportunity to get ahead at Ingersoll.

I have spent some time talking about taxes. I did so because we sometimes forget the fundamental truth that people who work for a living pay most of the taxes. Wealthy people pay high taxes but there is such a small number of them that it does not matter in the total. People on welfare, old people, young people, students – do not pay taxes – only people who work for a living. The direct income taxes from Ingersoll alone last year amounted to $6 million and that is repeated in every company this size throughout the land.

Indirect taxes (or less direct taxes – such as corporation taxes) are also paid by those of us who work. And yet, all that money pouring into Washington is not nearly enough. Our government will put us further in debt in 1975 – and then they will cover this shortfall by printing money, which will cause our pay checks to buy less in the future.

Since we are the ones who pay, it has to be up to us to do something about it. If we don't let the politicians know what we think, nobody will.

Our business is good. 1976 should be another good year. What will happen in 1977 is anybody's guess.

There is opportunity for advancement at Ingersoll.

Each one of us can contribute toward keeping the business coming our way by the quality and amount of work we do every day.

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Today's rising unemployment and business stagnation in the face of unabated government spending and inflationary monetary policies, make it necessary to reconsider Dr. Mises' explanation of the dilemma, first published in the March 4, 1958 issue of *Christian Economics.*

LUDWIG VON MISES

Wages, Unemployment and Inflation

OUR ECONOMIC SYSTEM – the market economy or capitalism – is a system of consumers' supremacy. The customer is sovereign; he is, says a popular slogan, "always right." Businessmen are under the necessity of turning out what the consumers ask for and they must sell their wares at prices which the consumers can afford and are prepared to pay. A business operation is a manifest failure if the proceeds from the sales do not reimburse the businessman for all he has expended in producing the article. Thus the consumers in buying at a definite price determine also the height of the wages that are paid to all those engaged in the industries.

It follows that an employer cannot pay more to an employee than the equivalent of the value the latter's work, *according to the judgment of the buying public,* adds to the merchandise. (This is the reason why the movie star gets much more than the charwoman.) If he were to pay more, he would not recover his outlays from the purchasers; he would suffer losses and would finally go bankrupt. In paying wages, the employer acts as a mandatory of the consumers,

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as it were. It is upon the consumers that the incidence of the wage payments falls. As the immense majority of the goods produced are bought and consumed by people who are themselves receiving wages and salaries, it is obvious that in spending their earnings the wage earners and employees themselves are foremost in determining the height of the compensation they and those like them will get.

The buyers do not pay for the toil and trouble the worker took nor for the length of time he spent in working. They pay for the products. The better the tools are which the worker uses in his job, the more he can perform in an hour, the higher is, consequently, his remuneration. What makes wages rise and renders the material conditions of the wage earners more satisfactory is improvement in the technological equipment.

American wages are higher than wages in other countries because the capital invested per head of the worker is greater and the plants are thereby in the position to use the most efficient tools and machines. What is called the American way of life is the result of the fact that the United States has put fewer obstacles in the way of saving and capital accumulation than other nations.

The economic backwardness of such countries as India consists precisely in the fact that their policies hinder both the accumulation of domestic capital and the investment of foreign capital. As the capital required is lacking, the Indian enterprises are prevented from employing sufficient quantities of modern equipment, are therefore producing much less per man-hour, and can only afford to pay wage rates which, compared with American wage rates, appear as shockingly low.

There is only one way that leads to an improvement of the standard of living for the wage-earning masses—the increase in the amount of capital invested. All other methods, however popular they may be, are not only futile, but are actually detrimental to the well-being of those they allegedly want to benefit.

What Makes Wages Rise?

The fundamental question is: Is it possible to raise wage rates *for all those eager to find jobs* above the height they would have attained on an unhampered labor market?

Public opinion believes that the improvement in the conditions of the wage earners is an achievement of the unions and of various legislative measures. It gives to unionism and to legislation credit for the rise in wage rates, the

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shortening of hours of work, the disappearance of child labor, and many other changes. The prevalence of this belief made unionism popular and is responsible for the trend in labor legislation of the last decades. As people think that they owe to unionism their high standard of living, they condone violence, coercion, and intimidation on the part of unionized labor and are indifferent to the curtailment of personal freedom inherent in the union-shop and closed-shop clauses. As long as these fallacies prevail upon the minds of the voters, it is vain to expect a resolute departure from the policies that are mistakenly called progressive.

Yet this popular doctrine misconstrues every aspect of economic reality. The height of wage rates at which all those eager to get jobs can be employed depends on the marginal productivity of labor. The more capital – other things being equal – is invested, the higher wages climb on the free labor market, i. e., on the labor market not manipulated by the government and the unions. At these market wage rates all those eager to employ workers can hire as many as they want. At these market wage rates all those who want to be employed can get a job. There prevails on a free labor market a tendency toward full employment. In fact, the policy of letting the free market determine the height of wage rates is the only reasonable and successful full-employment policy. If wage rates, either by union pressure and compulsion or by government decree, are raised above this height, lasting unemployment of a part of the potential labor force develops.

These opinions are passionately rejected by the union bosses and their followers among politicians and the self-styled intellectuals. The panacea they recommend to fight unemployment is credit expansion and inflation, euphemistically called "an easy money policy."

Credit No Substitute for Capital

As has been pointed out above, an addition to the available stock of capital previously accumulated makes a further improvement of the industries' technological equipment possible, thus raises the marginal productivity of labor and consequently also wage rates. But credit expansion, whether it is effected by issuing additional banknotes or by granting additional credits on bank accounts subject to check, does not add anything to the nation's wealth of capital goods. It merely creates the illusion of an increase in the amount of funds available for an expansion of production. Because they

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can obtain cheaper credit, people erroneously believe that the country's wealth has thereby been increased and that therefore certain projects that could not be executed before are now feasible. The inauguration of these projects enhances the demand for labor and for raw materials and makes wage rates and commodity prices rise. An artificial boom is kindled.

Under the conditions of this boom, nominal wage rates which before the credit expansion were too high for the state of the market and therefore created unemployment of a part of the potential labor force are no longer too high and the unemployed can get jobs again. However, this happens only because under the changed monetary and credit conditions prices are rising or, what is the same expressed in other words, the purchasing power of the monetary unit drops. Then the same amount of nominal wages – wage rates expressed in terms of money – means less in real wages – in terms of commodities that can be bought by the monetary unit. Inflation can cure unemployment only by curtailing the wage earner's *real* wages. But then the unions ask for a new increase in wages in order to keep pace with the rising cost of living and we are back where we were before, in a situation in which large scale unemployment can only be prevented by a further expansion of credit.

Protracted Inflation

This is what happened in this country as well as in many other countries in the last years. The unions, supported by the government, forced the enterprises to agree to wage rates that went beyond the potential market rates, that is, the rates which the public was prepared to refund to the employers in purchasing their products. This would have inevitably resulted in rising unemployment figures. But the government policies tried to prevent the emergence of serious unemployment by credit expansion – inflation. The outcome was rising prices, renewed demands for higher wages and reiterated credit expansion; in short, protracted inflation.

But finally the authorities became frightened. They know that inflation cannot go on endlessly. If one does not stop in time, the pernicious policy of increasing the quantity of money and fiduciary media, the nation's currency system collapses entirely. The monetary unit's purchasing power sinks to a point which for all practical purposes is not better than zero. This happened again and again, in this country with the Continental Currency in 1781, in France in 1796, in Germany in 1923. It is

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never too early for a nation to realize that inflation cannot be considered as a way of life and that it is imperative to return to sound monetary policies. In recognition of these facts the Administration and the Federal Reserve Authorities some time ago discontinued the policy of progressing credit expansion.

Sound Money Doesn't Cause Slump

It is not the task of this article to deal with all the consequences which the termination of inflationary measures brings about. We have only to establish the fact that the return to monetary stability does not *generate* a crisis. It only brings to light the malinvestments and other mistakes that were made under the hallucination of the illusory prosperity created by the easy money. People become aware of the faults committed and, no longer blinded by the phantom of cheap credit, begin to readjust their activities to the real state of the supply of material factors of production. It is this – certainly painful, but unavoidable – readjustment that constitutes the depression.

One of the unpleasant features of this process of discarding chimeras and returning to a sober estimate of reality concerns the height of wage rates. Under the impact of the progressing inflationary policy the union bureaucracy acquired the habit of asking at regular intervals for wage raises, and business, after some sham resistance, yielded. As a result these rates were at the moment too high for the state of the market and would have brought about a conspicuous amount of unemployment. But the ceaselessly progressing inflation very soon caught up with them. Then the unions asked again for new raises and so on.

The Purchasing Power Argument

It does not matter what kind of justification the unions and their henchmen advance in favor of their claims. The unavoidable effects of forcing the employers to remunerate work done at higher rates than those the consumers are willing to restore to them in buying the products are always the same: rising unemployment figures.

At the present juncture the unions try to rake up the old hundred-times-refuted purchasing power fable. They declare that putting more money into the hands of the wage earners – by raising wage rates, increasing the benefits to the unemployed, and embarking upon new public works – would enable the workers to spend more and thereby stimulate business and lead the economy out of the recession into prosperity. This is the spurious pro-inflation argu-

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ment to make all people happy through printing paper bills.

Of course, if the quantity of the circulating media is increased, those into whose pockets the new fictitious wealth comes—whether they are workers or farmers or any other kind of people—will increase their spending. But it is precisely this increase in spending that inevitably brings about a general tendency of all prices to rise. Thus the help that an inflationary action could give to the wage earners is only of a short duration. To perpetuate it, one would have to resort again and again to new inflationary measures. It is clear that this leads to disaster.

There is a lot of nonsense said about these things. Some people assert that wage raises are "inflationary." But they are not in themselves inflationary. Nothing is inflationary except inflation, i. e., an increase in the quantity of of money in circulation and credit subject to check (checkbook money). And under present conditions nobody but the government can bring an inflation into being. What the unions can generate by forcing the employers to accept wage rates higher than the potential market rates is not inflation and not higher commodity prices, but unemployment of a part of the people anxious to get a job. Inflation is a policy to which the government resorts in order to prevent the large scale unemployment the unions' wage raising would otherwise bring about.

Political Dilemma

The dilemma which this country and many others have to face is very serious. The extremely popular method of raising wage rates above the height the unhampered labor market would have established would produce catastrophic mass unemployment if inflationary credit expansion were not to rescue it. But inflation has not only very pernicious social effects. It cannot go on endlessly without resulting in the complete breakdown of the whole monetary system.

Public opinion, entirely under the sway of the fallacious labor union doctrines, sympathizes more or less with the union bosses' demand for a considerable rise in wage rates. As conditions are today, the unions have the power to make the employers submit to their dictates. They can call strikes and, without being restrained by the authorities, resort with impunity to violence against those willing to work. They are aware of the fact that the enhancement of wage rates will increase the number of jobless. The only remedy they suggest is more ample funds for unemploy-

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ment compensation and a more ample supply of credit, i. e., inflation. The government, meekly yielding to a misguided public opinion and worried about the outcome of the impending election campaign, has unfortunately already begun to reverse its attempts to return to a sound monetary policy. Thus we are again committed to the pernicious methods of meddling with the supply of money. We are going on with the inflation that with accelerated speed makes the purchasing power of the dollar shrink. Where will it end? This is the question which Mr. Reuther and all the rest never ask.

Only stupendous ignorance can call the policies adopted by the self-styled progressives "pro-labor" policies. The wage earner like every other citizen is firmly interested in the preservation of the dollar's purchasing power. If, thanks to his union, his weekly earnings are raised above the market rate, he must very soon discover that the upward movement in prices not only deprives him of the advantages he expected, but besides makes the value of his savings, of his insurance policy, and of his pension rights dwindle. And, still worse, he may lose his job and will not find another.

All political parties and pressure groups protest that they are opposed to inflation. But what they really mean is that they do not like the unavoidable consequences of inflation, namely, the rise in living costs. Actually they favor all policies that necessarily bring about an increase in the quantity of the circulating media. They ask not only for an easy money policy to make the unions' endless wage boosting possible but also for more government spending and – at the same time – for tax abatement through raising the exemptions.

Duped by the spurious Marxian concept of irreconcilable conflicts between the interests of the social classes, people assume that the interests of the propertied classes alone are opposed to the unions' demand for higher wage rates. In fact, the wage earners are no less interested than any other groups or classes in a return to sound money. A lot has been said in the last months about the harm fraudulent officers have inflicted upon the union membership. But the havoc done to the workers by the union's excessive wage boosting is much more detrimental.

It would be an exaggeration to contend that the tactics of the unions are the sole threat to monetary stability and to a reasonable economic policy. Organized wage earners are not the only pressure group whose claims menace today

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the stability of our monetary system. But they are the most powerful and most influential of these groups and the primary responsibility rests with them.

The Need for Monetary Stability

Capitalism has improved the standard of living of the wage earners to an unprecedented extent. The average American family enjoys today amenities of which, only a hundred years ago, not even the richest nabobs dreamed. All this well-being is conditioned by the increase in savings and capital accumulated; without these funds that enable business to make practical use of scientific and technological progress the American worker would not produce more and better things per hour of work than the Asiatic coolies, would not earn more, and would, like them, wretchedly live on the verge of starvation. All measures which – like our income and corporation tax system – aim at preventing further capital accumulation or even at capital decumulation are therefore virtually antilabor and antisocial.

One further observation must still be made about this matter of saving and capital formation. The improvement of well-being brought about by capitalism made it possible for the common man to save and thus to become a capitalist himself in a modest way. A considerable part of the capital working in American business is the counterpart of the savings of the masses. Millions of wage earners own saving deposits, bonds, and insurance policies. All these claims are payable in dollars and their worth depends on the soundness of the nation's money. To preserve the dollar's purchasing power is also from this point of view of vital interest to the masses. In order to attain this end, it is not enough to print upon the banknotes the noble maxim, *In God we trust*. One must adopt an appropriate policy.

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LEONARD E. READ

The School of Mankind

Example is the school of mankind; they will learn at no other.
—Burke

THAT SCHOLARLY and brilliant Britisher, Edmund Burke (1727-1797), assuredly used the term "mankind" as defined in his country's *Oxford Dictionary:* "Human beings in general." Thus, the reference was not to those few who think for themselves and explore the Unknown, the ones graced with insights and who experience intuitive flashes, the moral and intellectual giants, the oversouls, those like Confucius, Socrates, Epictetus, Augustine, Maimonides, Adam Smith and thousands of others. Not included in Burke's dictum were those who rank high in setting examples – the exemplars! Rather, his reference was to the general run of us who learn, if at all, by the example of our superiors.

For the past forty years I have studied the few – those stalwarts past and present – and observed how their exemplarity has helped me to shape my life. They teach by the high example they set, and we learn by our efforts to do likewise. To the extent that we learn the lessons their examples teach, to that extent are our own chances of exemplarity improved.

What has been the most rewarding lesson? It is this: individuals, past or present, whom I have rated as exemplars, have thought of themselves as among "human beings in general." Their place in the elite category has been be-

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stowed by others – never self-proclaimed. Indeed, any time any person puts a crown on his own head, he is one to shun intellectually, never to follow or emulate. Unfortunately for him, he has failed to grasp how infinitesimal is his own finite consciousness.

Socrates, reputedly one of the wisest, had this to say: "I know nothing, but I know I know nothing." That great Greek referred to himself as a philosophical midwife; he was a go-between – seeking Truth on the one hand, sharing his findings with fellow seekers on the other. Socrates was aware of a simple and self-evident fact: the more one learns, the larger looms the Unknown.

The Infinite Unknown

This point is easy to grasp. Merely visualize in the mind's eye a sheet of black, infinite in dimensions – the Unknown. Now whiten a small circle to represent your awareness, perception, consciousness of, say, a decade ago. Next whiten a greatly enlarged circle to depict your growth during the past ten years. Observe how much more darkness you as a learner are exposed to now than earlier. A good guideline to assess progress: if daily the Unknown is not looming larger, one is not growing.

Many who have delved deeply into any subject, be it philosophy, science, or whatever, are keenly aware of this point. Warren Weaver, a distinguished mathematician, generalized the conclusion reached by many thoughtful scientists:

> As science learns one answer, it is characteristically true that it *learns several new questions*. It is as though science were working in a great forest of ignorance within which . . . things are clear. . . . But, as that circle becomes larger and larger, the circumference of contact with ignorance also gets longer and longer. Science learns more and more. But there is a sense in which it does not gain; for the volume of the *appreciated but not understood* keeps getting larger. We keep, in science, *getting a more and more sophisticated view of our ignorance.*[1] (Italics mine)

Here we are presented with what, at first blush, is a seeming anomaly, namely, the more one is aware of his ignorance the more is he graced with wisdom. These two progressions are complementary rather than contradictory. They are twin aspects of man's most important earthly purpose: *growth* in awareness, perception, consciousness. As suggested above, when one is growing, he becomes more and more aware of his ignorance and this gain in awareness is, in itself, a gain in wisdom. No

[1] See "The Raw Material," *Manas* (Vol. XXVIII, No. 9, February 26, 1975).

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better lesson is to be learned in The School of Mankind!

Parenthetically, it should be noted that there are among us always those I would class as "false exemplars" – the political charlatans and others who prescribe life without effort, the know-nothings who promise that they, better than we ourselves, can manage our individual destinies.

These "leaders" are the very opposite of exemplars. They are Pied Pipers who put themselves in the vanguard of this or that mob. According to Emerson, a mob is "a society of bodies voluntarily bereaving themselves of reason."

A Personal Approach

My concern is not with mobs and their flabby disposition to escape from freedom and self-responsibility but, rather, with those individuals who aspire to get ever deeper into life. The human future is with those whose ambition is to achieve in their own lives, as nearly as possible, man's manifest destiny!

Very well! Observe the true exemplars and their ways. These all-too-rare souls have their eyes cast only on their own improvement, not on the reforming of anyone else. As a consequence of their adherence to self-perfection, others who would improve themselves are drawn not only to them but to the light they radiate. To seekers, such enlightenment performs as does a magnet.

However, there are and always have been two grades of people: stagnant and growing. There are individuals who seem to be more enlightened on this or that subject than anyone else. Being further advanced than all others, no more is required of them, or so they mistakenly conclude. Stagnated! In a word, they crown themselves and freeze at the level of their self-professed perfection. They *fail to grow.*

It is growth in awareness, and this alone, which energizes the power of attraction; stagnation at whatever level has no magnetism! It matters not at what level of awareness the growth proceeds, be it from a beginner in The School of Mankind or a Socrates. Why? The one who is learning is graced with ideas – enlightenments – new to him and very likely new, or at least refreshing, to those fortunate enough to share his company.

The Power of Attraction

This is a fascinating phenomenon. Magnetism flows between the seekers and the givers of light, much as a flash of lightning oscillates between positive and negative poles. The current may be generated from either direction – by the teacher whose light is grow-

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ing brighter, or by the student drawing ever more earnestly from the constant light of a great teacher, perhaps one no longer living. Or, most hopefully, the greatest enlightenment might come as teacher and student grow together.

Many times you and I have said and heard others say, "I now see what you mean." Why not before? Countless reasons range from one party's deafness or disinterest to the other's muteness or monotony. It has been said that repetition is the mother of learning, but this is not necessarily the case. Saying the same thing over and over – the broken record – is folly. But trying to phrase an idea in better and more interesting style has merit not only for the phraser but also for the one who may be trying to "see what you mean." Forever strive for clarity; first in one's mind and then in expressions and actions.

The seeker after the light of truth should search in every nook and cranny, for no person knows beforehand from what source it might beam. When he spots it, he should follow wherever it leads. If we are alert, flashes of truth will be observed emanating from those previously unknown as well as from the acclaimed elite, from sometime opponents as well as from long-time friends of freedom, from babes to grownups. Let us pray with Cardinal Newman: "Lead, Kindly Light, amid the encircling gloom. Lead Thou me on!"

When devotees of the free market, private ownership, limited government way of life are chosen as teachers, let orientation be the teachers' aim. Yes, give some samplings of the few lessons well mastered, point out the lodestar – the ideal – and let the seekers take it from there.The School of Mankind has given me two reasons for this conclusion. First, there is no teacher among all who live who knows all the explanations – even remotely. And, second, only the seekers can find their way. No individual can do it for you or me or anyone else. Each, by the very nature of man, is his own trail blazer.

The School of Mankind! It issues no degrees; there is no tenure. Students and teachers leapfrog one another as they advance. No graduation, only daily commencements! And no semesters or set term of years! The School of Mankind is for life – the good life!

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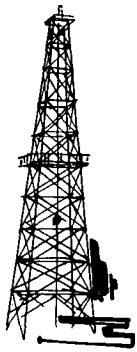
The Government's Energy Crisis



EUGENE GUCCIONE

I'VE GOT SOME GOOD NEWS for you about the energy crisis.

Everything that possibly could have gone wrong seems to have gone wrong already. The same institution primarily responsible for our monetary and economic mess is also primarily responsible for our energy problems: Government.

I want to emphasize that, regardless of party label, our elected officials and our bureaucrats are *not* evil people. They mean well. And it is precisely their good intentions that make our problems so disastrous. Most of our public servants are motivated by the messianic impulse of doing good to their fellow man – and shoving it down his throat whether he likes it or not. They are full of good intentions – which they will enforce with a gun at your head.

In fact, without oversimplifying the issue, the shortest explanation that can be given about the energy crisis is that it was triggered by a good intention and worsened by the use of force.

The good intention was the no-

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tion that American consumers should somehow be entitled to cheap and abundant energy.

The force that was used took the form of government controls over prices.

The shortest explanation that can be given about the energy crisis is that it was triggered by a good intention and worsened by the use of force.

Controls on Natural Gas

Government planted the seed of the energy crisis in the 1930's by forcing price controls on natural gas. This action had a disastrous domino-effect on all competitors of natural gas, especially coal.

For one thing, low prices soon caused shrinking profits in the gas business, thus reducing the capital available for exploration and development of new gas fields. With fewer new gas fields being explored and developed, the reserves of gas have become so depleted that, today, the gas industry can barely sustain 8 years of production.

The coal industry, on the other hand, unable to compete against the government-enforced low prices of natural gas, has been going through 40 years of hell. At first, the coal industry tried to compete by concentrating all its efforts on electrical utilities—historically the largest buyers and users of coal. But in the 1950's, government again fouled up the picture: "Nuclear energy is just around the corner," announced the Atomic Energy Commission. "Wait one or two more years, and atomic power will be cheaply available to everyone," so went the pitch from Washington.

Electric utilities heard the message, liked it, believed it, and stopped signing long-term supply contracts with coal companies. However, under Washington's management, nuclear energy took longer to become commercial than anybody expected.

At the same time, the coal industry found itself deprived of long-term sales contracts, without which whatever capital could be raised for modernizing old mines and opening new ones suddenly dried up—and the coal business went into another tailspin.

It took the U.S. coal industry 55 years to increase domestic coal production by about 11 per cent—from 568 million tons per year in 1920 to today's level of about 630 million tons. With such a growth record, it would take a few hundred years to double coal production. Yet, Federal Energy Administration planners think that it can

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be doubled by 1985. My personal opinion – based on what government has done and is doing – is that by 1985 the coal industry may have been legislated and regulated out of existence.

Here are the facts.

Twenty eight years ago, in 1947, U.S. domestic coal production was 630 million tons per year – same as today. When in 1954 the Supreme Court granted to the Federal Power Commission the authority to regulate natural gas prices even at the wellhead, coal suffered another competitive setback. It was not a coincidence that coal production tumbled to 390 million tons in 1954.

Under Washington's management, nuclear energy took longer to become commercial than anybody expected.

Federal Intervention

After 1954, thanks to improved technology, the coal industry managed to increase production, and had again reached the 600-million-ton level in 1969 – when Congress, over-reacting to the environmental hysteria and populist demagoguery, decreased the depletion allowance from 27.5 per cent to 22 per cent (thus giving a blow to all energy industries), and in quick succession passed the Mine Health and Safety Act along with the National Environmental Policy Act, and in 1970, the Clean Air Act.

One immediate result of this legislative orgy was that coal productivity immediately fell by 30 per cent, and domestic output decreased to 550 million tons in 1970.

There were other consequences.

Because the Mine Health and Safety Act closed several coal mines, those utilities that were still using coal faced a severe shortage. The Tennessee Valley Authority, for example, was reduced to a 10-day supply of coal from a normal 2-month supply. At this moment, utilities began switching from coal to residual fuel oil.

Everything went wrong in 1970. There wasn't enough residual oil either.

Why?

Because just as the low prices of natural gas had made it difficult for the coal industry to compete, these low prices also destroyed the price structure of residual oil, which for some years sold for less than the cost of domestic crude from which it was derived. As a result, petroleum companies drastically reduced their production of residual oil in order to produce more gasoline to keep up with the demands of automobiles, which by

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law now had to be equipped with antipollution devices that lowered gas mileage by about 20 per cent. This is how the Mine Health and Safety Act was the principal cause of the shortage of coal, of gasoline, and of residual oil – and this is how, by 1971, in the Eastern Seaboard, from Maine to Florida, we became dependent on the Arab Countries for more than 94 per cent of the residual oil needed for heating and power generation.

When the Arabs formed a cartel and jacked up their prices, everybody suddenly discovered the "energy crisis." But that crisis was a made-in-Washington disaster that began at least as early as 1938 when Congress passed the Natural Gas Act.

The Arabs didn't cause either our energy crisis or our monetary and economic problems: we were doing an excellent job of cutting our own throats long before the Arabs set up their cartel.

The Arab oil cartel was set up in October 1973. But the Mine Health and Safety Act, the National Environmental Policy Act, and the Clean Air Act were set up 4 to 5 years before. Five years before the Arab cartel, Washington set up environmental standards based on what turned out to be invalid and grossly distorted evidence. Congress also armed every environmental nut with the weapon to destroy, or at least delay, new energy developments.

Just as the low prices of natural gas had made it difficult for the coal industry to compete, these low prices also destroyed the price structure of residual oil.

For example, the Kaiparowits Power Project was originally conceived 12 years ago to deliver 5000 Megawatts to users in Utah, Arizona, Colorado and New Mexico. Investment for this project was estimated at 600 million. Today, because of inflation and all sorts of bureaucratic delays, this project – now scaled down to 3000 Megawatts – is expected to cost more than $2.5 billion. The delays are now costing $6 million per month in plant construction alone, plus an additional $363 million annually in our balance of payment deficit to get 33 million barrels of imported oil which Kaiparowits could replace.

How did environmentalists achieve that power?

In the May 1975 issue of *Reason* magazine, R. W. Johnson points out that the real culprit in all this was Section 102 – the environmental impact statement clause – in the National Environmental Policy Act (NEPA) of 1969.

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"Before Senator Jackson's cleverly worded bill, ecologists could not, for example, sue the Department of the Interior to stop it from selling a federal land lease or granting permission to build a pipeline through federal lands. They could not allege damage to themselves, so they had no standing in court," says Johnson, adding that, "after the NEPA bill was rushed through Congress on the tide of emotions and misinformation generated by the Santa Barbara oil spill, *anyone* – even a Russian agent (or an Arab agent) – by posting a $100 bond could bring suit in federal court to stop a federal agency from granting operation licenses, leases, use of highways, or building permits. All the plaintiff has to allege is that the agency did not file an 'adequate' environmental impact statement before allowing the business to proceed."

This is how Washington created the machinery that has delayed and even stopped entirely such energy-related projects as the Alaska Pipeline, offshore oil drilling, and the construction of new refineries and power plants.

While NEPA has either prevented and/or delayed new projects, the Clean Air Act has had a disastrous effect on existing developments.

According to the Project Independence Report, the Clean Air Act – unless repealed or changed – will cause in the next 12 months a 200-million-ton coal deficit, the loss of 50,000 domestic mining jobs, an additional $5.5 to $11-billion deficit in the balance of payments, plus atrocious land use problems for the disposal of solid waste from sulfur dioxide scrubbers, and to top it all a 25 per cent increase in the cost of electricity.

The Arabs didn't cause either our energy crisis or our monetary and economic problems: we were doing an excellent job of cutting our own throats long before the Arabs set up their cartel.

What is Washington's solution to all this?

More regulation, more controls, more new agencies, more bills, more lawyers, more committees – more scientific illiterates asking the incompetents to do the unnecessary.

All those guys in Washington are not solving the problem: they *are* the problem.

Academicians and government consultants are not contributing to the solution either. I call your attention to the latest masterpiece to come out from the Ford Foundation's Energy Policy Board. It is a

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510-page volume entitled *A Time To Choose.* In it, as a solution to the energy crisis, the scholars of the Ford Foundation are proposing a permanent ban on offshore development in the Outer Continental Shelf, more severe restraints on the strip mining of coal, a moratorium on nuclear power plant construction until at least 1985, and what amounts to a de-facto nationalization of the oil, gas, and utilities industries.

You know or should know that nuclear power plants are the safest installations ever built: their safety record is unmatched by any industry. What about severe nuclear accidents? The *probability* of that happening is even more remote than the probability of a meteor coming from outer space and hitting you over the head as you walk down the street. As to radiation exposure, you are getting more radiation right now — from cosmic rays and from the walls of your room — than you would get by living next door to a nuclear power plant, or inside it.

Well, nuclear energy is fairly new. I can understand why some folks might feel paranoid about it. But why the opposition to the surface mining of coal, especially of Western coal? What's all the fuss about the strip-mining bill?

Here is another story worth telling "like it is."

Less than two tenths of one per cent of the total area of the U.S. has ever been disturbed by all kinds of strip mining.

About Strip Mining

A friend tells me that some of the native tribes in Africa have the custom of beating the ground with clubs and uttering spine-chilling cries. Anthropologists call this a form of primitive self-expression. Americans call it golf. I call it Congress. Uttering spine-chilling cries, Congress began to draft the Surface Mining Bill six years ago, according to the slogan: "If you cannot reclaim the land, you cannot mine it." It was a good slogan. It made sense — but it also made the bill utterly unnecessary. Why? Because the mining industry was already doing a good job of reclaiming. In fact, a study by the U.S. Bureau of Mines, which I covered in the October 1974 issue of *Mining Engineering,* shows that of the 1.47 million acres used for surface coal mining from 1930 to 1971, one million acres had already been reclaimed — that's 66 per cent. And in 1971, coal people actually reclaimed 30 per cent *more* land than they mined. Also in 1971, the entire surface mining industry reclaimed 80 per cent of the land it used. Finally, in spite

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of the grim picture of wholesale devastation allegedly caused by strip mining, the fact is that only a small percentage – 0.16 per cent, or less than two tenths of one per cent of the total area of the U.S. – has ever been disturbed by *all* kinds of strip mining. Of that, almost half has been reclaimed, and the rest is in the process of reclamation now proceeding full speed.

So, the bill had to be changed. It no longer stated that "if you cannot reclaim the land, you cannot mine it" – it was instead a 266-page document, written by people who couldn't even spell coal, telling you what type of coal to mine, how and where to mine it, and how to reclaim. A majority in Congress voted for the bill.

Support from Universities, Unions and the Industry

Proponents of the bill also were to be found in universities, in labor unions, and alas, in the mining industry. Some in our industry actually favored the bill because they are unhappy about being called greedy profit-making capitalists. The fact is that we are in business to make a profit. Besides, we'll still be attacked whether or not we make a profit; if we make a profit, demagogues will accuse us of stealing from consumers; if we do *not* make a profit and must shut down, the same demagogues will accuse us of causing unemployment.

In the same amount of time it takes for an underground miner to produce one ton of coal, a surface miner can produce up to 20 tons of coal.

Anyway, various people in industry, rather than saying "It's a lousy bill, it's unnecessary, we are reclaiming, we are doing a good job," said instead "let's try to sweeten this bill and live with it." And when President Ford vetoed the bill, these same people went around saying that Congress should override the veto, otherwise ". . . we'll be stuck with a worse bill later on," and that "we can improve this bill." But no legislation has ever improved with time.

What about the universities? Well, since the Strip Mining Bill incorporated a sweetener granting $120 million of Federal Aid to mining schools, some professors were in favor of the bill. "Sure, we know it's a lousy bill," they said, "but look at the goodies we're getting."

What about labor? Well, there are nine major groups or locals in the United Mine Workers Union – three of which are Canadian and couldn't care less, and six of which are American and do care very

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much because they have a membership predominantly from underground mining. So, UMWU favored the bill: "If we can prevent surface mining," they figured, "more coal has to be mined underground, and that means more money for us."

Let us consider some of the facts about strip mining:

• In the first place, compared to underground mining, surface mining is much safer: it is 20 times less likely to result in the death of a miner.

• Surface mining is more efficient: it recovers 80 per cent of the coal; and in thick Western seams, recovery rates can exceed 95 per cent. Underground mining instead recovers approximately 50 per cent of the coal. Why, you ask? Because you've got to leave some of that coal in underground pillars to hold the roof up.

• Surface mining is more productive. In the same amount of time it takes for an underground miner to produce *one* ton of coal, a surface miner can produce up to 20 tons of coal. (Surface mining averages about 35 tons per man per day; and in the Western United States, it can average up to 200 tons. Underground mining instead averages about 11 tons per man per day.)

• Surface mining is the only way to produce coal from many of the vast Western deposits, which are near the surface and cannot be mined by underground methods.

• Coal in the Western states is clean, it contains from a half to one-tenth the amount of sulfur present in Eastern coal. (Western coal, on the average, contains 0.5 to 0.7 per cent of sulfur. In the Eastern underground coal deposits, the average sulfur content is from two to ten times greater.)

• Strip mining in the Western states would disturb much less land than strip mining in the East. "How much less?" you ask. At least 90 per cent less.

For instance: to produce 30 million tons of coal in the Powder River Basin of Wyoming, in any given year only 300 acres of land would be temporarily disturbed. To strip mine 30 million tons of coal in a heavily populated state like Illinois, would disturb 4,500 to 7,500 acres of land instead of a mere 300. (*Mining Engineering*, May 1975, p. 35).

• Everybody agrees it would be nice to double coal production by 1985. If half of the anticipated increase in coal production by 1985 comes from the West, it will require the surface mining of only 130,000 acres of land. To put this

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acreage in perspective, please notice that surface mining represents only a temporary use of land – and the 130,000 acres that will be mined and reclaimed over the next ten years is less than the amount of land covered by parking lots in one year. Yet, the Surface Mining Bill also granted to the surface tenant of land on federally owned coal a veto power over whether or not the coal will be mined, and the bill also placed a ceiling upon compensation – thus removing any incentive for ranchers to grant you their consent. This alone would have effectively prevented the mining of most of our Western coal.

• Finally. The average selling price of surface-mined coal f.o.b. mine is $5 to $10 per ton – and that of underground coal f.o.b. mine is $10 to $20 per ton.

"Why then don't we produce more surface-mined coal?" you ask. Consider these reasons:

Coal and uranium are *the* solution to our energy crisis. Any legislation that adversely affects coal will also adversely affect uranium. So, with legislation like the Mine Health & Safety Act, the National Environmental Policy Act, the Clean Air Act, and some new version of the Surface Mining Bill, the development of coal and uranium will be prevented, the energy crisis will remain – and as long as we have an energy crisis, all those bureaucrats in Washington will have a job fighting the crisis.

Look Not to Washington

In conclusion, the solution to the energy crisis will not come from Washington. If we have learned anything at all, it is this: asking Washington's help to correct a problem, any problem, is like asking an arsonist to help you put out the fire. Throwing out the rascals and voting in a fresh batch isn't the answer either.

The only solution to the energy crisis is in a massive program of deregulating and decontrolling industry. We may survive double-digit inflation and greater taxation; but unless we regain our freedom to produce, the American economy will reach the terminal stage.

We'll solve the crisis. But government must first get out and stay out of business. The cause of our energy crisis and shortage of fuels is neither geological nor technological. It is political.

Americans are losing the freedom that enables them to create wealth. And the extent to which government has violated, curtailed and infringed our freedom to explore, to develop and grow, to produce and trade, *that* is the extent to which our wealth has been diminished and our reserves of fuels decreased.

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ROBERT C. MOORE

The Tollway to Nowhere

A POWERFUL THIRD PARTNER is now participating in virtually every business in America. This partner invests no money and assumes no risks, but threatens to assume more control over business affairs than the owners. I'm referring to the Federal government, along with its kissing cousins – state and local government. Taken together they have bound every sector of American life with thousands of laws and regulations.

I am deeply concerned about the continued impact of regulations that are rapidly destroying the self-adjusting mechanisms that once operated so effectively within the private enterprise system. Sometimes called the eighth wonder of the world, because of the benefits it has brought to all of us, the American economic machine still has tremendous potential – but only if we will limit our tampering with and modifications to the basic mechanism.

While it might be satisfying to place all the blame for excessive regulation on the shoulders of legislators and government bureaucrats, the fundamental fault does not lie with them, but with an American public that is naive at best – uninformed at worst – about elementary economic principles and the functioning of the marketplace. Whenever problems arise, troubled people look to government for solutions, apparently

From an address given on May 29 at the spring convention of the Pennsylvania Petroleum Association by Robert C. Moore, Vice-President—Public Affairs for Cities Service Oil Company, Tulsa, Oklahoma.

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convinced that there are miraculous remedies stockpiled at the state capitol or in Washington. So-called progressives who champion such steps ignore the fact that our economic system is already based on one of the most exciting and revolutionary ideas in the history of the world. This idea maintains that a society can best function, prosper and serve the material needs of that society on the basis of *free* choices by *free* individuals in a *free* marketplace.

Lack of Understanding

A faulty understanding of economic principles is just one reason why people look to government when things displease them – whether it's the price of food, utilities or gasoline. Another important reason is our refusal to learn from the lessons of history. This is really a very strange paradox. If you gave a motorist a road map which led him down a dead end road, he would certainly be skeptical of its future value. After losing his way on a second journey, he would unquestionably throw the map away. Nevertheless, many people have a nearly blind faith in the potential of government to guide them safely through complex economic and social difficulties to a proper destination – despite the many past failures of bureaucratic solutions!

Many examples come to mind, and I am sure some of you can cite several. For instance, the Interstate Commerce Commission, or ICC, was created in 1887 to regulate conditions in the railroad industry. With a stated intent to protect the public interest within a very narrow framework, the ICC soon became involved in the setting of rates. In more cases than not, its decisions kept transportation costs up rather than allowing the development of efficiencies in operation to produce benefits for consumers. Under regulation, the resulting decline of competition among the railroads made them vulnerable to the challenge of other modes of transportation – such as trucks, barges and airplanes. Along came more regulation in the form of the Railway Labor Act of 1926, which gave labor unions the power to lock-in practices that were economically crippling – further reducing their ability to compete.

You are familiar with the more recent chapters of this story. Restrictive regulation and declining profits made it difficult for railroads to modernize their operations. Service became so poor that in 1970 the Rail Passenger Service Act was approved, setting up what is now Amtrak. That government-operated system has now been exempted from some of the rules

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that hampered the efficient running of privately-owned railroads. Aided in that way and without the necessity of generating the earnings or providing the capital requirements that are essential to a private corporation, Amtrak has now made some progress. Yet, isn't that meager consolation as one looks back upon the havoc that was wrought by regulation? The latest proposals of the ICC would now jeopardize the more efficient railroads by forcing them to subsidize those that are failing – a move that would hasten the complete demise of our private rail system.

Has Government Improved?

Some might suggest that the government has now learned to do a better regulatory job in recent years. And anyway, a government "of the people" must do a better job "for the people." Certainly these two conditions are implied in a rising tide of new regulations and interference in market mechanisms with the primary thrust at present against our own industry.

Are you and I really so *gullible* that we will allow such a transparent fraud to be perpetrated upon our industry and the nation's economic system to serve the interests of political opportunists, the whims of the uninformed and the plans of liberal dreamers? Are we really so *unaware* of basic economics and the complexities of our market system that we will embrace the administrative processes of government bureaucracy to solve so critical a problem as energy – one that is basic to our standard of living and the survival of our nation? Will we *believe* what too many of our legislators and others are saying – that they can deliver cheap energy without paying the real replacement cost? It is my fervent hope that we will not be so gullible, unaware or naive!

If we are confused today about whether Congress can legislate a solution to market problems, let us look briefly at their recent effort in the troubled housing industry. (Incidentally, the problems in that depressed industry, while substantial, are relatively simple compared to those in the energy field.)

In the recently enacted tax law, the current Congress in its infinite wisdom sought to stimulate the housing market. This would be done by giving buyers of new houses between March 13th and December 31st, 1975, a 5 per cent credit up to $2,000 against 1975 income taxes. Congress was well-intentioned in this instance because there were 600,000 unsold new single-family homes, co-ops and condominiums on the market and 50,000 mobile homes in inventory. Congress calculated that new

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building would not be stimulated until this inventory cleared the market. The solution appeared simple, and Congress adopted the tax provision without any hearings. The *Wall Street Journal* says this legislative method, i.e., legislation without hearings, qualifies a Congressional action as "bold and imaginative." Whatever else can be said about this 94th Congress, it certainly qualifies as "bold and imaginative."

It now appears in retrospect that the "simple" solution to a "simple" market problem was not so "simple" after all. And remember, good intentions are not the criteria for success. It now appears that instead of stimulating the housing market, this tax change will likely work in a very perverse manner. Note the unanticipated "fall-out" from this Congressional effort:

•A house on which construction starts after this past March 26th is not eligible, so builders are not hurrying to build houses that cannot compete with the subsidized units. The effect will likely be to delay new starts until late fall.

• The tax measure rewards inefficiency since builders that handled their own problems through better planning, quality construction or more competitive pricing now find their less efficient and less self-reliant competitors rewarded by Congress.

• Some 300,000 units were under construction and contracted, i.e., they were committed for, but not conveyed to the purchaser. The tax break is simply a transfer of funds to these lucky buyers and will not generate new housing starts.

• Because units that have been once occupied are not eligible for the tax break, the program distorts buying away from used homes, unfairly depreciating the value of used homes until the end of the year.

• The tax measure imposes a "confusion penalty" on the housing industry that has real economic costs. It will be months before buyers and builders have a clear picture from Internal Revenue on what is really eligible. There are triple damage penalties imposed on sellers for falsification, so they will be understandably apprehensive until the rules are clarified. Buyers who sell old homes must take into account any capital gain they realize, so they may not get the benefit anticipated. Of course, many buyers probably will make this discovery after the deal on the new home is already closed. At best, many buyers will also be confused for some time about the implications of purchase.

• And finally, it has now been estimated by Congressman Al Ullman, Chairman of the House Ways

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and Means Committee, that the tax provision may result in true additional sales of only 75,000 units at an estimated cost of $600 million to the taxpayers – *or $8,000 per added home sale.* Even by Congressional yardsticks, that must be considered something less than a bargain for the nation and its taxpayers.

What are the lessons for you and me today from this modern day example of a legislated solution to a market problem? If my comments to this point have not excited your interest, I urge you now to take a deep breath – and give your undivided attention to these truisms I am about to suggest:

Truism #1. It is impossible for government to interfere with a balanced and integrated market system without creating unreasonable distortions, many of which are invariably counter-productive.

Truism #2. Government solutions frequently reward the inefficient and penalize the productive which the market will not allow. While there may be temporary benefits for some, experience has proved this process is always anti-consumer in the long term.

Truism #3. Government is subject to the influence of special interests, rewarding those who find political favor and penalizing those who do not. Reward and cost to the consumer do not then meet the test of impartial market discipline – again to the long term detriment of the consumer.

Truism #4. The intrusion of government into the market always creates an enormous "confusion penalty." While you and I may not always like the discipline in the market, at least we can rely on the time-tested and consistent economic laws by which it operates. *What government has manipulated once, it can manipulate again.* More than any other factor, government intrusion into our industry is preventing solution of our energy problem. In fact, the evidence is overwhelming that such interference caused the problem in the first place. Will we continue the present confusion or now turn the problem back to the market for solution?

Truism #5. Government solutions, when successful, are always extremely costly. Note the $2,000 tax break to stimulate one additional housing sale is now likely to cost the taxpayer $8,000 per sale. Some now would have a government oil company created to "compete" with private industry in developing additional energy supplies. Is there a one of us that really believes government can do this job better than private industry? Who can even guess what the

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taxpayer will pay per barrel of oil produced, if this effort comes to fruition? If $600 million to get 75,000 new housing starts is an example, the probable cost per barrel of oil found by a government oil company will make OPEC members look like pikers!

You're likely asking yourself why the penchant for regulation remains strong despite such a poor record. Two of the reasons, a lack of understanding of economic fundamentals and the failure to learn from history, have already been mentioned.

There seems to be another reason with more dangerous implications that has been pinpointed by Senator Paul Fannin of Arizona. He maintains that many legislators believe the free enterprise system, as we know it, is an outdated 19th century institution. In this attitude, they reflect a growing segment in this country which feels that industry acting alone, with minimal government intervention, is incapable or unwilling to serve the public interest. This is not an isolated phenomenon, but seems to be part of an erosion of confidence in the validity of many of the cherished institutions that have served our nation well throughout our history. If time permitted, we might dwell on the apparent paradox of calls for increased government intervention when recent polls reflect a general lack of confidence in the ability of government to deal effectively with economic problems in our society. Could it be that we are just too impatient to allow the self-adjusting mechanisms to work? Do we lack the wisdom to define which areas are proper for government and which should be left to the market?

History also confirms that regulation, once created, tends to be subversive, feeding on itself to proliferate and self-perpetuate. It creates additional problems and distortions that need new regulation, and bureaucracy too often becomes an end unto itself.

Unfortunately, for those who are the victims there is still another force that perpetuates the cult of regulation. Regulations sap the strength and vitality of a free economy by offering transitory benefits to consumers and other special interest groups. They offer "security" in exchange for "freedom," and try to substitute "status-quo" for progress. Yes, it is possible for us to be "bought," and often the price can be tempting.

Within our industry there are those who have profited from the Emergency Petroleum Allocation Act and others who seek to make it serve their future purposes. As

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we have discovered before, however, many a temporary law or tax has become an institution, and there are now strong indications that this could be true in the petroleum industry.

When will we ever learn that you can't enact only regulations that suit your particular fancy. Once you begin to take the regulatory route, you're on an expressway that leads just one way — deeper into the bureaucratic jungles. To make it even worse, the farther you travel, the fewer the exit ramps. If you do finally leave this super highway to nowhere, the journey really can get rough — for you must find your way back to the "go" position if you hope to travel that old road again. The temptation is great to stay on the hypnotic tollway. For who knows — maybe security *is* better than freedom — and anyway look at how good our earnings were last year!

I have no easy solutions to the problems I have been discussing, and we cannot look for any instant revocation of the thousands of pages of useless regulations that are in effect. Perhaps our situation is not totally hopeless, for I believe there are ways to inhibit the continued growth of the statutory tumors that threaten our private enterprise system.

• We must voluntarily work to become more responsive to those we serve than ever before. In a sense we must prove to the people that there is no need to bind us heavily in regulations.

• There must be increased emphasis on sound economic education for people of all ages. We must supplement the schools of the nation for they can't do this job alone. You and I spend too little time discussing the economic facts of life with our children.

• There must be no reluctance to communicate our views to the general public and lawmakers, even though our opinions may not be immediately popular.

• Businessmen, as private individuals, should evaluate the records of legislators and back those who uphold the principles of free enterprise.

• By all means we must move away from the illusion that the most praise-worthy Congress is the one that passes the most laws.

• We must solidify our own faith in the laws of supply and demand rather than prematurely calling for government intervention that is not needed — whether this is in our industry or other fields.

There is still time to get off the regulatory turnpike — but let's not delay. It gets more expensive every mile we travel, and if we're not careful, we could miss that last exit to freedom!

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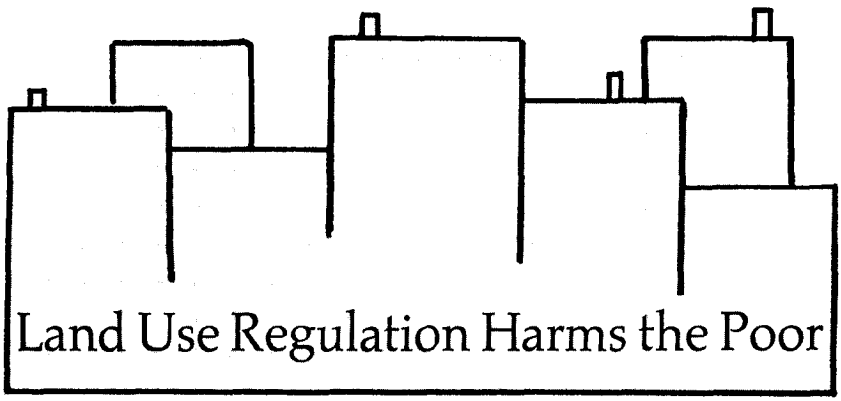
BERNARD H. SIEGAN



Land Use Regulation Harms the Poor

A STRANGE PHENOMENON of our times is the attitude of local officeholders who identify themselves with the cause of the poor and at the same time insist on curbing growth. Here in San Diego, for exexample, many politicians whose hearts continually bleed for the downtrodden are among the strongest supporters of a restricted growth policy, which can only be harmful to the poor.

The two positions are totally incompatible, and one begins to wonder how genuine their commitment – and to whom or to what. The answer may lie, of course, in the working of both sides of the political street, plying the rich and young with "no growth" promises and the poor with lots of rhetoric. Plainly, these politicians are not heeding the advice of the bumper stickers that urge us to "eschew obfuscation."

Friends of the poor should be working hard to overcome governmental restrictions that curtail production; and some are. One public body that recently adopted a clear position on the issue is the San Diego County Board of Public Welfare. On May 2, in a written recommendation to the county's Board of Supervisors, it said the

Copyright 1975 Bernard H. Siegan
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slow growth policies of the city and county were "at cross purposes with the goals and objectives of the Board of Public Welfare."

Its statement continues: "The elimination of poor or substandard housing accomodations demands an immediate change in the county's growth policy. This policy is acting to restrict the supply of housing available to poor people."

Regarding the means for achieving satisfactory housing for the poor, the statement discussed both subsidized and privately financed housing and concluded that the former has not been particularly successful: "It is very expensive and has served only a small proportion of those in need."

The Board referred to a report made by the Federal Department of Housing and Urban Development that the average subsidized apartment unit cost 20 per cent more to construct than a comparable unit privately financed. This meant, the Welfare Board reasoned, that 20 per cent fewer dwellings could be built by the government than if the same amount of money had been invested in the private market.

It concluded that: "The greatest hope for improving the living conditions of the ill-housed poor in our community, and at the same time substantially relieving the financial burden placed on the Board of Supervisor's budget (and the taxpayers of San Diego) appears to be through the private market; specifically through the filtering process."

Filtering is the chain of moves to new or different living quarters triggered by the construction and occupancy of a new unit. The leading source available on this process is the study conducted by the Survey Research Center at the University of Michigan, published as a monograph, *New Homes and Poor People.*

This study, conducted in 17 metropolitan areas in the mid-1960's, determined that for every 1000 new housing units built, there are over 3500 relocations, of which an average of 330 are by families defined as poor and 950 by moderate income families, the next lowest economic category. The moves will be made to presumably better housing on the assumption that "if they move, they benefit." The Welfare Board considers the filtering process "the only proven viable provider of low cost housing for low and moderate income families."

According to the Board, the number of building permits issued in San Diego County in 1974 was 24,000 fewer than in 1972. Of the reasons cited for the decrease, one was the restricted growth policy.

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Using the statistics provided in the Michigan Study, the Board figured that, had this amount of new construction occurred, better housing would have been available for over 31,000 poor and moderate income families. By contrast, it pointed out, local government was pursuing the idea of building only 600 homes for the needy.

The statement added that a great deal of pressure for subsidized housing arose from the notion that "for some reason, poor people should live in brand new houses. The emphasis instead, should be on enabling poor people to exercise upward mobility by removing the barriers to improved housing."

The Board described these barriers as forms of land use and building regulation, specifically impediments to new construction set up by the California Coastal Commission, Environmental Quality Act, zoning regulations, construction processing delays and the substantial fees demanded of builders to obtain permits.

The Board's analysis powerfully illustrates how harmful land use regulation is to the well-being of lower income people.

IDEAS ON LIBERTY

The Need for Freedom

TO HAVE lived in some remote "native" village long enough to know how their social curbs on progress operate is to understand why the best laid plans of economic development schemes have a way of failing utterly. Without freedom to achieve and without a measure of security for life and property, aid is useless; and with freedom, it is unnecessary. Any enterprising investor is happy to put his money into a going concern and nothing succeeds like success. But the rigidities of a managed economy stifle initiative and scare off venture capital, keeping the depressed area stagnant and backward. Only a rich country can afford the economic interventions of socialism – and they can't afford it for long.

EDWARD P. COLESON

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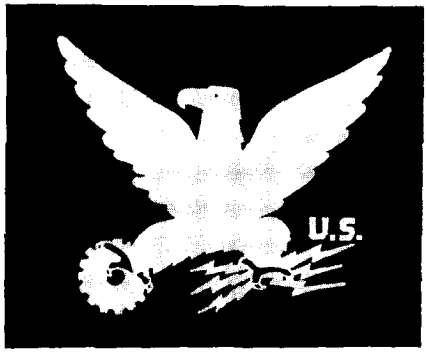

Blue Eagles and Déjà Vu

WALTER B. WRISTON

AS WE APPROACH the bicentennial of our republic, it is useful to remember that our founding fathers faced hard times – much harder than those which are with us today. They, too, had to make some tough choices. Thomas Jefferson expressed the problem in a nutshell: "We are not to expect to be translated from despotism to liberty in a featherbed."

The great principles of our government laid down by our founding fathers embody a vast distrust of centralized governmental power and an unswerving dedication to the proposition that government rests on the consent of the governed. No sector of our society has been more vigilant than the press in keeping that proposition always before us. Nevertheless, whenever we create the conditions which cause our system to appear to falter, whether through inflation or corruption, people who would destroy our liberty press forward with plans the founders rejected – old plans dressed in a new vocabulary. A good many years ago, John Randolph foresaw the danger and put it this way: "The people of this country, if ever they lose their liberties, will do it by sacrificing some great principle of government to temporary passion."

Today, passions abound in the land. As the heat rises, our memory of fundamentals seems to fade. We forget that the traditional optimism of the American people is

Mr. Wriston is Chairman of the First National City Corporation. This article is from his remarks of May 5, 1975, before The Society of American Business Writers, Washington, D.C.
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an absolute essential to a democracy. We hear a rising chorus of attack upon the unique American economic system, through it has produced both the highest standard of living and the largest measure of personal liberty in the history of mankind.

People who should know better begin to waffle about human freedom and in the moment of passion that John Randolph feared even suggest that some form of dictatorship may not be so bad after all. In the 1930s Senator David Reed from Pennsylvania voiced it bluntly: "If this country ever needed a Mussolini, it needs one now." The admiration in the United States for the way Mussolini made the trains run on time was widespread. *The New York Times* in May of 1933 reported that the atmosphere in Washington was "strangely reminiscent of Rome in the first weeks after the march of the Blackshirts, of Moscow at the beginning of the Five-Year Plan . . . The new capital . . . presupposes just such a highly centralized, all-inclusive government as is now in the making." In the 1930s it began to look more and more as if we would sacrifice some great principle and lose our liberty.

The resident philosopher in Washington in those days was Rexford Guy Tugwell. Like his current counterparts, Tugwell expressed contempt for the consumer's ability to choose and wanted large state-controlled corporations along fascist lines. It was all very simple and logical. He put it this way: "When industry is government and government is industry, the dual conflict deepest in our modern institutions will be abated." This old idea has now been revived with a name. We now call them "benchmark" corporations. By 1984, George Orwell tells us the concept will be set to music in a telescreen jingle that goes: "Under the spreading chestnut tree, I sold you and you sold me..."

The NRA

The first major step that this nation took toward merging government and industry, and toward the total abandonment of the free market system, was the enactment of the legislation that created the National Recovery Administration. The NRA with its famous Blue Eagle symbol soon began grinding out hundreds of "codes" repealing economic freedom and arbitrarily fixing wages, prices and hours.

In the temporary passion of that moment, many businessmen welcomed the idea of controls and were openly pleased with the idea of an escape from competition. "Codes" in the 1930s were the equivalent of the current euphe-

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mism "guidelines." These "codes" ultimately affected some 22 million workers. Like all schemes which require people to behave in a way they would not act of their own free will, force eventually has to be used against the populace. Since the NRA codes required citizens to make decisions which were conrary to their own economic interests, penalties for noncompliance had to be severe. Tailors were arrested, indicted, convicted and sentenced because their prices for pressing a pair of pants were a nickel below the relevant NRA code. Farmers were fined for planting wheat that they themselves ate on their own farms. Barbers who charged less than the code rate for a shave and a haircut were subject to fines of up to $500. Even the village handyman was prosecuted, since he did not fit in under the multiple wage-and-hour scale set up by the codes.

The complexity of the codes soon antagonized labor as well as management. The average factory worker who had been earning $25 a week was cut back to $18.60 under NRA codes. As a result, strikes became a way of life and auto workers, frustrated by red tape, began calling the NRA the National Run Around. When the textile code authority cut production in the mills in 1934, another great strike began in the South. Before the strike ended, the National Guard had been called out in seven states and scores of textile workers were killed and wounded. A few months later, NRA administrator General Hughie Johnson resigned under a storm of criticism – or, as he phrased it himself, "a hail of dead cats."

The Schechter Case

As was the case with the rights of minorities in the 1950s and 60s, or with Watergate in the 70s, a few had the courage to challenge the power of the state. A fairly small company, The Schechter Poultry Company, refused to observe NRA standards of "fitness" governing the slaughtering of chickens. When the case reached the Supreme Court, the NRA was unanimously declared unconstitutional. The Court wrote: "Such a delegation of powers is unknown to our law and it is utterly inconsistent with the constitutional prerogatives and duties of Congress." After the decision was read, Justice Brandeis told one of FDR's legal aides: "I want you to go back and tell the President that we're not going to let the government centralize everything." That was a call to return to fundamental American principles.

That time around we were rescued from the temporary passion of the moment by the Supreme

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Court. For such actions, the justices were reviled as the Nine Old Men. Fortunately, they were old enough to remember the tyrannies of the past and struck down the attack on individual freedom, even though it was wrapped in a package labeled "progress." As if in direct reference to John Randolph, the Court said: "Extraordinary conditions do not create or enlarge constitutional power."

Today, just as we are beginning to win the battle against inflation and recession, the classic attacks on individual freedom are being launched with new vigor. In place of the NRA and Mussolini's Blackshirts of another era, we have new groups with new names selling the same worn-out concept of government planning as "progress."

The current effort to peddle the theories of Tugwell is being quarterbacked by an organization called the Initiative Committee for National Economic Planning. Its members, businessmen, academicians and labor leaders, are all well-intentioned people who should know better. Their program, if adopted, could bring about the step-by-step destruction of the free market system and, as a consequence, all personal liberty. The opening statement of the Initiative Committee expresses the usual doubt about whether our tried and tested system provides "the best hope for combining economic well-being and personal liberty."

Always, Coercion

Like central planners in the past, the new breed speaks euphemistically of "plenary power" and obtaining a "mandate." They suggest that a "five-year plan" would be "voluntary" but add that it might require a "legislative spur." They imply that they would not set specific goals for General Motors, General Electric, General Foods or any other individual firm but would "try to induce" the relevant industries to do their bidding. *The New York Times*, an ardent advocate of central planning in 1975 as in 1933 (except of course for the media), has fully endorsed the idea of government planning as "a means to help private industry to make its own planning decisions... without government coercion." There is no case of government planning not implemented in the end by coercion.

If the proponents of central planning came right out and said they wanted to create an economic police state, their cause would never get off the ground. So, they resort to "doublespeak," as Mario Pei so aptly called it, the usual camouflage for the ultimate use of force against the individual. Ludwig von Mises summed it up when

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he wrote: "All this talk: the state should do this or that ultimately means: the police should force consumers to behave otherwise than they would behave spontaneously. In such proposals as: let us raise farm prices, let us raise wage rates, let us lower profits . . . the *us* ultimately refers to the police. Yet, the authors of these projects protest that they are planning for freedom and industrial democracy."

Perhaps the oldest lesson of history is that an assault on one aspect of freedom is an attack on the whole, as the framers of the Constitution were well aware. To think that the bell that tolls for economic freedom does not toll for academic freedom or for freedom of the press is a delusion, and a dangerous one. The vigilance of the press which helped smoke out some of the misdeeds of Watergate should be equally focused on the economic *non sequiturs* coming from some of Washington's prominent citizens.

Attacks on the system that has produced our relative affluence as well as our freedom come in part from people seeking power and in part from a failure to understand the American experience. Pulitzer Prize historian Daniel J. Boorstin put it this way. "There is an increasing tendency . . . to blame the United States for lacking many of the ills which have characterized European history. Our lack of poverty is called materialism, our lack of political dogma is called aimlessness and confusion."

All current proposals for a managed economy rest on an underestimation of the intelligence of the American people. They assume that you and I are just not smart enough to decide how to spend the money we earn. The decision must be made for us by a wise government. Those wonderful people who brought us wage and price controls, which so severely disrupted our economy, now wish to extend the chaos on a permanent basis. The intellectual arrogance of those who would substitute their judgment for that of the American people is amazing.

Pressures Applied

As the incredible complexity of American life begins to dawn on the would-be government managers, as it did in fact ultimately dawn on the Administrator of the NRA, ever increasing pressure has to be applied to make a reluctant citizenry conform. The clash between governmental economic planning and personal liberty is inevitable because, in the end, governmental allocation of economic and intellectual resources requires the use of force. No agency, for example, could have regulated our

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railroads into bankruptcy as did the I.C.C. without such power. This power must be continuously increased to block opposition, to generate public acceptance and suppress doubts about the competence of the planner.

Last year's Economic Summit should have made it obvious to all the world that experts do not agree. No plan which covers a continent with the infinite variety of America and contains thousands of parts can possibly be agreed upon by experts and certainly not by a majority of the people. Even if by some miracle we could get all the fiscalists and monetarists to concur, the ultimate decisions would be political much more than economic. It would be impossible to get a majority vote in the Congress on every item in the economy which would have to be allocated, priced and assigned priority. Since both political and economic agreement is a virtual impossibility, these decisions have to be delegated to the planner and thus can never represent the will of the majority. Such action by definition destroys the premise on which American democracy rests.

Precious Freedoms

The First Amendment is one of the most sweeping definitions of freedom of the citizen against his government ever enacted anywhere in the world. As in the past, it must now be guarded jealously by all sectors of our society. What I am suggesting to you today is that you must examine with great care and skepticism the proposition that government regulation of goods and services is a legitimate function of government. It is predicated upon the dogma that consumers lack the intelligence to make choices, but that they are capable of sorting out a good idea from a bad one without government help. You should question the logic which leads some people to conclude that a so-called truth-in-advertising law is good, but a truth in-media law is bad. On a purely logical basis it is hard to sustain the argument that the public is unable intelligently to choose among competing dog foods without government help, but is competent to sort out the true meaning of a senator's speech.

The press, along with the rest of this country, generally has come to the conclusion that the performance of government at all levels leaves a great deal to be desired. Bureaucracy has never been synonymous with efficiency. There is a growing perception across the country that government regulation of goods and services has often tended to promote monopoly, raise the price levels and smother innovation. Professor Houthakker

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of Harvard made this point dramatically at the Economic Summit by listing 43 areas he thinks the government should deregulate.

Lest you think that you are exempt, more and more educators are beginning to perceive the hand of government within their own campuses, despite the long tradition of academic freedom. Academicians are learning the old lesson that if you take the king's shilling, you will do the king's bidding. We already have government very much in the broadcast field, although some people feel this has not been objected to as strongly by the print media as one might have hoped or wished. If you accept the proposition that government intervention in the dissemination of ideas is bad, which is one I strongly hold, you must then review in your own mind whether it makes any sense to argue for governmental intervention in the individual's choices among goods and services. Whatever conclusion you come to on this proposition, you should not fool yourself that economics and politics live on separate islands; in the end our freedom is indivisible.

One of our least admired presidents was characterized as one who approached power with "muffled oars." Those of you who depend for your existence on the First Amendment should sensitize your ears to pick up the sound of "muffled oars" seeking to approach power through a planned economy. This suggestion is in accordance with sound liberal doctrine as expressed by Woodrow Wilson: "The history of liberty is a history of limitations of governmental power, not the increase of it."

IDEAS ON LIBERTY

The Pressure to Succeed

NOTHING IS MORE DANGEROUS to the well-being of a theatre than when the director is so placed that a greater or less receipt at the treasury does not affect him personally, and he can live on in careless security, knowing that, however the receipts at the treasury may fail in the course of the year, at the end of that time he will be able to indemnify himself from another source. It is a property of human nature soon to relax when not impelled by personal advantage or disadvantage.

WOLFGANG VON GOETHE,
from Eckermann's *Conversations of Goethe*

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A New Kind of Politician

DAVID A. WILLIAMS

FIFTEEN YEARS AGO, a well known Senator in a famous book recommended that future politicians proclaim this thought in their campaign speech. "I have little interest in streamlining government or in making it more efficient, for I mean to reduce its size. I do not undertake to promote welfare, for I propose to extend freedom. My aim is not to pass laws, but to repeal them. It is not to inaugurate new programs, but to cancel old ones that do violence to the Constitution, or that have failed in their purpose, or that impose on the people an unwarranted financial burden. I will not attempt to discover whether legislation is 'needed' before I have first determined it is constitutionally permissible. And if I should later be attacked for neglecting my constituents' 'interests,' I shall reply that I was informed their main interest is liberty and that in that cause I am doing the very best I can." Those thoughts, of course, were by Senator Barry Goldwater from his long-time bestseller, *The Conscience of a Conservative.*

Last year an Independent Libertarian candidate for Assemblyman in New York when asked what would he do for the people as their Assemblyman, answered with "Absolutely nothing." In the 1880's Bucky O'Neill decided to run for probate judge in Arizona's Yavapai County. His statement read, "To be frank, it is not a case where the office is wearing itself out hunting for a man—not much! Here it is the man wearing himself out hunting the office – for the simple reason that it is a soft berth with a salary of $2000 per

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annum attached. While in the way of special qualifications I have no advantage over 75 per cent of my fellow citizens in the county, yet I believe I am fully competent to discharge all the duties incident to the office in an efficient manner, if elected. If you coincide in this opinion, support me, if you see fit. If you do not, you will by no means jeopardize the safety of the universe by defeating me." Bucky was elected by eight votes.

What do these three political candidates have in common? It is a recognition that politicians hurt the voter whenever they make campaign promises. It was Senator Howard Baker of Tennessee who said that whenever he heard a politician making campaign promises, he immediately reached for his wallet. The truth is that whenever promises are made, they must be paid by our tax dollars. Because of this we need a new kind of politician: one who promises *not* to do anything for us. This politician would recognize that he was being elected to protect the people from the government, not sell away our pocketbooks. In fact he would be hailed as a statesman when re-election time rolled around by using as his slogan "I did nothing for you last year, and if re-elected I will continue to do the same." Opposing candidates would fight over who could do nothing better and more efficiently, and the taxpayer would be better off because of it. It was Edmund Burke who said that the lives and property of all freeborn Englishmen were in jeopardy when Parliament was in session. The same could apply to America. The best thing to happen to an American taxpayer would be to have a *do nothing* Congress. The less mischief the politicians are in, the better. "And if re-elected I promise to continue my tradition of doing nothing to the American taxpayer." Amen, Brother, Amen.

IDEAS ON LIBERTY

Worse Than Thieves

WHEN YOUR MONEY is taken by a thief, you get nothing in return. When your money is taken through taxes to support needless bureaucrats, precisely the same situation exists. We are lucky, indeed, if the needless bureaucrats are mere easy-going loafers. They are more likely today to be energetic reformers busily discouraging and disrupting production.

HENRY HAZLITT, *Economics in One Lesson*

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The Gold Standard and Fractional-Reserve Banking

JOE COBB

THERE IS LITTLE DOUBT that a gold-oriented monetary system is superior to a fiat monetary system, from the perspective of the average citizen and businessman. Monetary systems which are managed by central banks or governments, as opposed to systems which arise in the market and are self-equilibrating, are prone to inflation and repudiation. The arguments against "managed" currency are clearly set forth in the *Theory of Money and Credit* by Ludwig von Mises, and it is not our purpose to argue against the gold standard.

The argument of this essay is that the U.S. Dollar should not be "backed" by gold or "tied" to gold or otherwise officially connected to gold in any way. The free economy *must* have a metallic monetary standard (and gold is probably the best metal for that purpose), but the people who support an Act of Congress which pegs the price of gold in terms of dollars, or which defines the dollar in terms of gold, are making a big mistake. Like Oedipus, they are putting out their eyes and surrendering their monetary assets to the secret management of the U.S. Treasury without the ability to detect mis-management. The assumption that a gold dollar is not a "managed" currency is an illusion. While it may be true that the quantity of money may be determined by the stock of gold in the nation at any point in time, the total volume of

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credit – including Federal credit, local government debt, and bank credit – is subject to control and management.

The problem arises because the unit of money (let us call it "one dollar" in gold) has the same name and is traded at a fixed price with the unit of credit (let us call it "one dollar" in deposits). We all understand the process by which banks create credit: the depositor brings in a quantity of gold coin and the banker puts this in his vault, issuing certificates to the depositor (or establishing a checking account in his name). At this moment, the banker has 100 per cent reserves for his deposits. The next customer in the bank, however, is someone who wants to borrow – let's assume the borrower will buy a house. The banker accepts a secured mortgage from the borrower (the banker's non-monetary asset) and issues to the borrower some certificates *identical to the ones he issued to the depositor*. The total number of certificates is now greater than the supply of gold in the vault, so the banker's reserves are only a fraction of his total outstanding certificates "payable in gold." There is nothing fraudulent about this; the banker's assets equal his liabilities, and everybody knows that bankers are in business to make loans with their depositors' money. Banks perform a valuable service by accumulating small deposits and making large loans. It is not our point here to rant and rave against fractional reserve banking, but we need to understand the difference because there is a critical implication for any proposals to reform the monetary system and re-establish the gold coin standard.

Most students of economics have heard of Gresham's Law: "Bad money drives out good money." What this means is that any holder of both gold coins and paper dollars will tend to spend the paper dollars and hold on to the gold coins. He will not spend the gold coins, unless the seller demands them instead of paper. The vicious aspect of legal tender laws is that they strip the seller of the right to demand coins instead of paper. Yet, Gresham's law only holds true when there is a *fixed price* between the "good" money and the "bad" money. When there is a floating price, both forms of money circulate with equal frequency and the "price" of one in terms of the other adjusts according to the demand. This is a simple phenomenon arising from the two separate uses for money – the medium of exchange, and the store of value functions. The gold coins would be preferred as a store of value, and the paper dollars would be pre-

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ferred as a medium of exchange. If sellers wanted coins instead of dollars, they would offer discounts for payment in gold. These discounts can be observed in every country which is experiencing a high rate of inflation. A discount on purchases is the same thing as a floating rate between gold and paper money.

In the United States today, the medium of exchange consists primarily of checks, credit cards, and Federal Reserve Notes. The medium of exchange is entirely made up of *credit*. To refer back to the work of Ludwig von Mises, "money" is not in circulation at all – even though many of us are relying on gold as our store of value almost exclusively. What circulates is credit certificates, and it is the rapid expansion of credit which is causing double-digit inflation.

It is always assumed by advocates of a "gold-backed" money that the quantity of gold ("money") will hold the supply of credit ("dollars") in bounds which will prevent excessive credit expansion. I submit that this is a false assumption. It is true that when the runs on the banks begin, the bankers will be exposed to failure and disgrace; but the bankers are smart enough to know that the government will rescue them. This is why the Federal Reserve System was created. To be sure, maybe we ought to abolish the Federal Reserve System and freeze the ability of the government to expand the supply of credit.

This is a tall order, and it is doubtful that those of us with some knowledge of economics have sufficient political influence to triumph over (1) those who have a vested interest in the present system of credit expansion, and (2) the ignorant who would be persuaded by the first group that we are either nutty or evil.

There is, however, a more direct and easily achieved solution. Happily enough, also, the monetary authorities are playing into our hands on this one. The solution involves the utilization of two differently-named units for the two different kinds of financial assets. Let the store of value be known as "ounces of gold" and let the medium of exchange be known as "dollars" of credit. Let the buyers and traders in a free market use gold-weight coins for their store of value. The solution to the problem of inflation, of course, would remain *putting an end to credit expansion* by the Treasury and the Federal Reserve System. However this small change in tactics would make an enormous long-run difference. It is convenient that the Krugerrand is approximately one troy ounce because its avail-

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ability as an international coin makes the above proposal even easier to implement.

When the unit of credit is called by the same name as the unit of money ("dollar" for example), the citizen simply *must* take the word of the Treasury that the assets are in the vault and that credit expansion is not being indulged in. The indirect consequences of credit expansion, such as rising prices for goods and services, occur only after a lag in time. Even then it is not always clear what may be happening. Aggregate supply and aggregate demand move up and down for many divers reasons, and prices adjust accordingly. The political system takes advantage of this random, or unpredictable, free market process. The government long ago learned that it can increase aggregate demand by printing bonds, using the bonds as assets against which to create Federal Reserve Notes and demand deposits in the banking system. As we have observed during the period since 1967, on the other hand, the market price of gold in terms of the unit of credit adjusts to reflect credit expansion. This, then, would be the key to a secure gold coin standard: The coins would be measured by their common weight, and they would command a market value in terms of the unit of credit. A policy of zero credit expansion should be mandated by law, perhaps, but as a check-and-balance, the traders in the market would keep their eye on the price of gold in terms of credit. If the credit price of gold should rise, there would be strong and compelling evidence that inflation were afoot, unless proven otherwise by reports of physical movements of gold.

With the introduction of weight-measured gold coins, we might expect to see an increasing number of securities and contracts made in terms of gold-weight coins. This should be encouraged, as a manifestation of the free market principle that people will do what is in their own best interests regardless of government policy. Indeed, the greater utilization of gold coins will increase the demand of gold assets and improve the value of private gold holdings (unless the central banks start to dump their gold holdings, but even this should produce only a short term downward movement and represent an excellent opportunity for private investors to buy).

Any attempt by the government to "fix" the value of the depreciated unit of credit in terms of gold, however, should be vigorously resisted by anyone who values either economic freedom or private gold reserves.

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GOLD I$ MONEY

"GENTLEMEN," so Sir Isaac Newton is supposed to have said when speaking of the basic requirements of a science, "you must describe your unit."

The trouble with money these days is that nobody can describe what a monetary unit is. Ben Rogge says that "if the dog eats it, it's dog food." John Exter regards most modern currencies as "I owe you nothings." Dogs may eat nothings, but when such a diet is continued they demand more and more as they find themselves wasting away. Food units, even of the stuff they feed to dogs, must be of a certain caloric value, which requires unchangeable units of measurement.

The case for gold – or for some other relatively scarce metal of certain weight and fineness – would seem to be irrefutable, yet the politicians and the professoriate continue to turn deaf ears to gold "maniacs" and "fanatics." They refuse to see that all that these "maniacs" are asking for is something that is describable. Otherwise the world must be turned over to guesswork, which means, in practice, to the speculators.

In a world without monetary certainty the best minds will go into the manipulative arts, and produc-

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tion will inevitably suffer. Things may be fine for the manipulators until the dogs begin really to starve and go berserk. At a certain point of canine unruliness the country that has left the gold standard far behind it will discover that it must go over to the gun standard, and then we will have 1984.

We could, if we would listen to reason, avoid the social wreckage that must come with a final inflationary crisis. The voice of reason speaks in *Gold Is Money*, a collection of essays edited with an introduction by Hans F. Sennholz (Greenwood Press, Westport, Connecticut). Here we have nine economists addressing themselves to the plight of a world that is trying to get along without any standards of monetary measurement, and they could bring order out of chaos if there were anybody of influence to listen. Amusingly enough, the volume is offered without stating any price on the jacket. Maybe the publisher is afraid he will take a beating if he takes the current dog food in payment for it.

The Plight of the Dollar

Much of the book is historical. It begins, however, *in medias res* with G. C. Wiegand's "The Plight of the Dollar," a lugubrious chronicle of what happened in the Bretton Woods post-World War II period when the American dollar dropped "almost three-fourths of its domestic purchasing power," while the various paper currencies in the rest of the world "lost, on an average, over 85 per cent of their value."

The U.S. didn't quite cut itself completely from the gold standard during these years, for foreign governments could, up to August of 1971, take settlements in gold at the risk of hurting the ever-enlarging amounts of "Eurodollars" owned by their own citizens. Fears of triggering a depression kept demand for gold at a minimum, but forbearance couldn't go on forever. So the Bretton Woods era came to an end when Nixon closed the gold window, and the dollar witnessed its first devaluation.

The dogs in America during the Bretton Woods era thought they were doing well. They consumed the available dog food without the same concern for savings and investment that animated the Germans and the Japanese. Where the Americans saved six to eight per cent of their disposable income, the Germans saved twelve to fifteen per cent, and the Japanese twenty to twenty-five per cent.

Competition from Abroad

Somewhere in the mid-Sixties Germany and Japan, along with some other countries, began to outproduce the U.S. And our balance-

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of-payments deficits naturally grew slowly and steadily. The "tail of the dog" (a misleading term even for a country on a dog food standard) that is represented by U.S. foreign trade may not amount to much statistically, but, since it accounts for huge quantities of fuel and metals, which are basic to a manufacturing economy, the dog won't live very long unless he can wag the foreign trade tail vigorously.

We are still *in medias res* with Murray Rothbard's "Gold vs. Fluctuating Fiat Exchange Rates," Hans Sennholz's "No Shortage of Gold," and Henry Hazlitt's "To Restore World Monetary Order." With John A. Sparks's "The Legal Standing of Gold – Contract Versus Status," we dip back a bit, to the world described by Sir Henry Maine, who saw the history of mankind as a progression from status to contract. Donald Kemmerer bites off the whole nineteenth and early twentieth centuries in his "The Role of Gold in the Past Century." Gary North's subject is "Greenback Dollars and Federal Sovereignty 1861-1865." Then we come to antiquity, real antiquity, with Rousas John Rushdoony's "Hard Money and Society in the Bible." The future is left to Arthur Kemp's "Is the Gold Standard Gone Forever?"which is pessimistic for the short run but nonetheless reminds us that "forever" is a long time.

I have no real quarrel with the sequence of the essays, but it could be significant that I found myself reading Rousas Rushdoony's essay on the Biblical law even before taking on Hans Sennholz's introduction. The Bible, like Sir Isaac Newton, was strong for measurement. It spoke, in *Leviticus 19:35-37*, of money not in terms of coinage, but as weight. "Ye shall do no unrighteousness in judgment, in meteyard, in weight, or in measure."

Biblical Standards

The Biblical man who falsified measures and weights was a "corrupter of judgment," and "vile, wicked and abominable in a very high degree." When David gave Ornal some money for a place, it was "six hundred shekels of gold by weight." Biblical law forbade "fractional reserve," and considered any departure from a metallic standard as "fraud and counterfeiting, and as part of a broader pattern of apostasy and moral collapse." When, after the fall of Rome and the coming of the Dark Ages, the prelates and rulers of Europe needed money, they were fortunate to have Jewish merchants and money-lenders around who had continued to read the Old Testament.

As long as the nations deal in "I Owe You Nothings," there is a

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good case for Milton Friedman's championship of floating exchange rates. Fixed rates can only result in black market transactions when all is guesswork anyway. However, Murray Rothbard really scores when he says "the idea of a market only makes sense between different entities, between different goods and services, between, say, copper and wheat, or movie admissions . . . the idea of a market makes no sense whatever between units of the same entity: between, say, ounces of copper and pounds of copper." When the pound, the franc, the dollar and the mark once represented certain stated weights, they were different in name only. It would be silly to "float" basically identical things.

The Friedmanite position makes short-term sense in a guesswork world in which some countries may be inflating their "I Owe You Nothings" faster than others. But it is no real cure in a world that is unable to invoke a solid unit of measure when dealing with politicians. Hazlitt's prescription is the best for the moment: let people own gold and they will soon have a de facto world currency that will begin to call the inflating politicos on the carpet everywhere.

Gold Is Money is available at $11.95 from The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York 10533.

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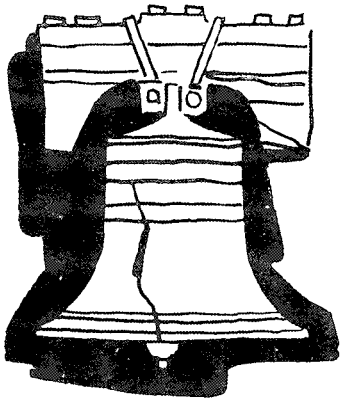

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